

## ACTIVITY OVERVIEW

# Financial Sector Supervision

**Through technical assistance and training USAID helps increase the safety and soundness of Croatia's financial system.**



*Volunteer Steve Byers, Chief Financial Economist at the Commodity Futures Trading Commission led a training session for 15 participants at the Croatian National Bank's Supervision, Statistics and research Departments.*

Implementer: Financial Services Volunteer Corps (FSVC)

Partners: Croatian National Bank, Ministry of Finance, HANFA, FINA

USAID is assisting the Croatian National Bank (CNB) and the newly-established Agency for the Supervision of Financial Services (HANFA) to strengthen the financial sector in order to promote private sector development and investment.

USAID financed technical assistance and training is improving the capacity of these institutions to supervise and regulate the financial sector, pursue policies that enable foreign and domestic investment and increase the safety and soundness of the financial system.

**Results** USAID assistance to the CNB contributed to the creation of a highly specialized unit to supervise information technology (IT) risk in commercial banks. This unit adopted the U.S. IT examination methodology. Since 2003, all commercial banks in Croatia must undergo mandatory IT examinations. Specialized market risk training allowed the Supervision and Research Departments at the CNB to evaluate and supervise risks posed by derivatives trading in the banking system.

Technical assistance and input was provided to the Ministry of Finance in drafting a New Law on Insurance, adopted in December 2005. This law, incorporates EU directives and will increase investment and improve competition in a market that was previously under-regulated.

USAID also provided input on a new Corporate Governance Code that will require listed companies to be more transparent. This will enhance investment opportunities and improve the way companies are managed.

In addition, training conducted by internationally recognized professionals helped create a new unified regulator for non-bank financial supervision. Specifically, the training proposed an optimal organizational structure for the new regulator that assesses current gaps in insurance supervision capacity.